

AMENDED IN SENATE JULY 23, 2009

AMENDED IN SENATE JUNE 30, 2009

AMENDED IN ASSEMBLY JUNE 1, 2009

AMENDED IN ASSEMBLY MARCH 26, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 8

**Introduced by Assembly Member Brownley
(Coauthor: Assembly Member Smyth)**

December 1, 2008

An act to amend and repeal Section ~~42238.22~~ 42238.21 of, and to add Section 41054 to, the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 8, as amended, Brownley. Education finance: working group.

(1) Existing law establishes the public school system in this state, and, among other things, provides for the establishment of school districts throughout the state and for their provision of instruction at the public elementary and secondary schools they operate and maintain. Existing law establishes a public school funding system that includes, among other elements, the provision of funding to local educational agencies through state apportionments, the proceeds of property taxes collected at the local level, and other sources.

This bill would express findings and declarations of the Legislature with respect to the school funding system in the state. The bill would require the Director of Finance and the Legislative Analyst to convene a working group to make findings and recommendations to the Legislature and the Governor on or before December 1, 2010, regarding

restructuring California’s school finance system. The bill would require those findings and recommendations to include, among other things, alternative structures for funding public schools, the policy and fiscal implications of the alternative funding structure or structures, and an evaluation mechanism to facilitate continuous improvement, maximum transparency, and accountability of the funding structures.

~~(2) Existing law creates the Santa Cruz High School attendance area, a program for middle school options to eliminate revenue limit inequities. Existing law provides that the revenue limit for the Newport-Mesa Unified School District for the 1996–97 fiscal year, and future fiscal years, shall not include specified funds allocated to that district the receipt of which were delayed due to bankruptcy filed by the County of Orange.~~

This bill would provide that these provisions would remain in effect until July 1, 2010.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The 22 studies of the Getting Down to Facts Project and the
- 4 Governor’s Committee on Education Excellence were consistent
- 5 in their conclusions that California’s current education finance
- 6 system is overly complex, irrational, and burdensome, and is in
- 7 need of a long-term plan for comprehensive reform.
- 8 (b) The complexity of the current system poses a major obstacle
- 9 to transparency and effectiveness. It is almost impossible to
- 10 determine how much revenue each school district receives or how
- 11 those revenues are spent, let alone to report this information to
- 12 local communities, stakeholders, and the state.
- 13 (c) The current system is not logical, with district revenues that
- 14 are largely a historical artifact of spending in the 1970s combined
- 15 with a confusing and burdensome system of categorical programs.
- 16 Disparities in school and district revenues are substantial and are
- 17 not aligned to pupil or educator needs.
- 18 (d) The system places substantial restrictions on the use of
- 19 resources by schools and districts, creating high compliance costs
- 20 and making it difficult for local educators to respond to the needs

1 of their pupils. Fewer paperwork requirements and more flexibility
2 in allocating resources are cited by school principals as two of the
3 most important factors in improving pupil outcomes.

4 (e) Many schools and districts lack the proper tools or capacity
5 to ensure that money is spent on the most effective programs and
6 practices. Research consistently finds that successful schools use
7 data to inform teaching practices and innovation. However,
8 California schools and districts vary widely in their use of data
9 and in their capacity to use data to improve pupil performance.

10 (f) Ensuring that money is spent efficiently and effectively
11 requires a full understanding of how money is allocated by school
12 districts and spent within schools. However, California does not
13 collect financial data that is useful for determining the effectiveness
14 of resources at the state, district, or school levels.

15 (g) Therefore, it is the intent of the Legislature to do all of the
16 following:

17 (1) Build on previous research and recommendations to produce
18 a comprehensive plan for finance reform to support pupil
19 achievement, with specific consideration given to the interactions
20 of incentives in school finance formulas.

21 (2) Establish simpler formulas for allocating funding to each
22 local educational agency.

23 (3) Make the allocation of funding more rational and equitable
24 so that the revenues received by each local educational agency
25 reflect the actual cost of educating pupils with varying needs in
26 varying environments, so that all pupils are prepared, at the end
27 of their elementary and secondary education, for college, careers,
28 and successful participation in our democratic institutions, no
29 matter where they live or what their economic, racial, or ethnic
30 background may be.

31 (4) Support accountability by increasing the transparency of
32 state funding mechanisms and of expenditure decisions at the local
33 level.

34 (5) Improve the reporting of financial data so that programmatic
35 investments can be linked to programs that increase pupil
36 achievement.

37 (6) Support continuous improvement by requiring periodic
38 review of the school finance system and of local resource decisions.

39 (7) Hold local educational agencies harmless, and transition to
40 the new system gradually, as new moneys become available.

1 SEC. 2. Section 41054 is added to the Education Code, to read:
2 41054. (a) The Director of Finance and the Legislative Analyst
3 shall convene a working group to make findings and
4 recommendations to the Legislature and the Governor regarding
5 the implementation of a restructured California school finance
6 system as set forth in subdivision (b).

7 (1) In addition to the Department of Finance and the Legislative
8 Analyst, the working group shall be composed of representatives
9 of the Governor, representatives of the Superintendent of Public
10 Instruction, and majority and minority staff of the appropriate
11 policy and fiscal committees of the Assembly and Senate.

12 (2) The working group shall consult with, or invite the
13 participation of, organizations or experts it deems appropriate to
14 accomplish its tasks.

15 (3) In its deliberations, the working group shall consider and
16 give appropriate weight to the sequence of recent research, findings,
17 and recommendations beginning with the Getting Down to Facts
18 Project and leading to the report of the Governor's Committee on
19 Education Excellence and other subsequent research papers and
20 reports, and shall draw upon, rather than repeat, those efforts.

21 (b) The working group shall make findings and
22 recommendations regarding all of the following:

23 (1) Alternative structures for funding public schools that shall
24 include, but not necessarily be limited to, all of the following
25 characteristics:

26 (A) Simple formulas for allocating funding to each local
27 educational agency.

28 (B) Rational and equitable allocation of funding so that the
29 revenues received by each local educational agency reflect the cost
30 of educating pupils with varying needs in varying environments,
31 including, but not necessarily limited to, pupils in poverty and
32 English learners.

33 (C) Predictability and stability of funding so that local
34 educational agencies can effectively plan for the future.

35 (D) Support for accountability by providing transparency of
36 state revenue allocation rules as well as expenditure decisions at
37 the local level.

38 (E) Facilitation of the reporting of financial data so that
39 programmatic investments can be linked to pupil achievement.

1 (F) Allocation of consistent additional resources to school
2 districts and county offices of education on the basis of exogenous
3 characteristics of the local educational agency and its pupils that
4 research has shown clearly affect the costs of educating pupils.

5 (G) Recognition of the financial consequences of growth or
6 decline in the number of pupils served.

7 (H) Reinforcement of the academic goals of the public schools.

8 (2) A means of transitioning from the current school funding
9 structure to the new structure or structures identified pursuant to
10 paragraph (1), only as increased funding becomes available in
11 future years. In particular, the findings and recommendations shall
12 address:

13 (A) The conditions that should be in place before a transition
14 begins.

15 (B) The length of time that is necessary or appropriate to
16 transition to a new funding structure.

17 (C) The extent to which local educational agencies will be held
18 harmless during a transition from the current school funding
19 structure to the new system, if that transition is based only on new
20 funding.

21 (D) An equalization component for the transition to the new
22 funding structure, based on the characteristics identified in
23 subparagraphs (B) and (E) of paragraph (1).

24 (E) How and when to eliminate unnecessary statutory and
25 budgetary elements of the current school funding structure.

26 (3) The policy and fiscal implications of the alternative funding
27 structure or structures identified pursuant to paragraph (1). In
28 particular, the findings and recommendations shall address all of
29 the following:

30 (A) Costs associated with implementing new school funding
31 structures.

32 (B) Trade offs inherent among the characteristics set forth in
33 paragraph (1).

34 (C) Equity considerations.

35 (D) Incentives and disincentives that new school funding
36 structures may create or eliminate.

37 (E) Governance considerations.

38 (4) Modifications to the standardized account code structure to
39 provide school-level reports on revenue and expenditures to
40 facilitate easy comparisons across schools and districts, including

1 comparisons of school, district, and statewide demographics and
2 academic performance, and data on program-level expenditures.

3 (5) An evaluation mechanism to facilitate continuous
4 improvement, maximum transparency, and accountability of the
5 primary funding structures, as well as a consistent process to
6 evaluate the effectiveness of any specific programs that are funded
7 separately.

8 (c) The working group shall present its findings and
9 recommendations to the Legislature and the Governor on or before
10 December 1, 2010.

11 (d) If the working group incurs any costs that the participating
12 entities determine that they are unable to absorb, those costs shall
13 be paid from nonstate funds donated or granted to pay them.

14 ~~SEC. 3.— Section 42238.22 of the Education Code is amended~~
15 ~~to read:~~

16 ~~42238.22.— (a) There is hereby created in the Santa Cruz High~~
17 ~~School attendance area, a program for middle school options to~~
18 ~~eliminate revenue limit inequities in the per pupil funding for~~
19 ~~instructional programs for pupils in grades 7 and 8. Participation~~
20 ~~is limited to the Santa Cruz High School District, the Live Oak~~
21 ~~Elementary School District, and the Soquel Union Elementary~~
22 ~~School District. The purpose of the program is to encourage and~~
23 ~~enable these elementary school districts in this attendance area to~~
24 ~~continue providing a middle school program, in addition to the~~
25 ~~junior high school program operated by the high school district,~~
26 ~~thereby increasing enrollment options for all pupils in grades 7~~
27 ~~and 8.~~

28 ~~(b) In order for these elementary school districts to receive an~~
29 ~~addition to the revenue limit pursuant to subdivision (g), these~~
30 ~~districts shall do all of the following:~~

31 ~~(1) Continue to participate in a consortium with the Santa Cruz~~
32 ~~High School District.~~

33 ~~(2) At a minimum, all pupils in grades 7 and 8 in the~~
34 ~~participating districts shall be provided with the option to enroll~~
35 ~~in either a middle school operated by the elementary school district~~
36 ~~or a junior high school operated by the high school district.~~

37 ~~(3) Provide evidence to the Superintendent that the amount~~
38 ~~computed and allocated pursuant to subdivision (g) will be used~~
39 ~~only for pupils in grades 7 and 8.~~

1 ~~(e) Participation by the districts in the consortium shall be~~
2 ~~voluntary.~~

3 ~~(d) For purposes of this section, the following definitions shall~~
4 ~~apply:~~

5 ~~(1) "Junior high school program" means a departmentalized~~
6 ~~program in which pupils in grades 7, 8, and 9 select classes based~~
7 ~~on subject and move from classroom to classroom during the~~
8 ~~school day.~~

9 ~~(2) "Middle school program" means a program in which teachers~~
10 ~~teach a common core curriculum to the same group of pupils in~~
11 ~~grades 6, 7, and 8, and provide a transition from self-contained~~
12 ~~classroom education at the elementary level to subject-oriented,~~
13 ~~departmentalized classrooms at the high school level.~~

14 ~~(e) A school district shall not deny a request for enrollment~~
15 ~~made pursuant to this section unless space is not available in the~~
16 ~~selected school or unless the choice would have a negative impact~~
17 ~~on an existing desegregation plan.~~

18 ~~(f) The average daily attendance of pupils participating in the~~
19 ~~enrollment option pursuant to this section and attending the~~
20 ~~elementary school districts shall be credited to the elementary~~
21 ~~school district of residence for purposes of determining state~~
22 ~~apportionments and revenue limits. The average daily attendance~~
23 ~~of pupils attending the high school district shall be credited to the~~
24 ~~Santa Cruz High School District.~~

25 ~~(g) For the 1990-91 fiscal year for the Live Oak Elementary~~
26 ~~School District and each fiscal year thereafter, and for the 1991-92~~
27 ~~fiscal year for the Soquel Union Elementary School District and~~
28 ~~each fiscal year thereafter, the Superintendent shall compute and~~
29 ~~allocate an amount in addition to the revenue limit for each~~
30 ~~elementary school district participating in the consortium, equal~~
31 ~~to the following:~~

32 ~~(1) Calculate the average of the base revenue limits per unit of~~
33 ~~average daily attendance of the districts participating in the~~
34 ~~consortium.~~

35 ~~(2) From the average base revenue limit calculated in paragraph~~
36 ~~(1), subtract the base revenue limit of the elementary school district~~
37 ~~per unit of average daily attendance.~~

38 ~~(3) If the result in paragraph (2) is a positive number, then~~
39 ~~multiply the result in paragraph (2) by the average daily attendance~~
40 ~~of the elementary school district in grades 7 and 8. That amount~~

1 shall be added to the total revenue limit computed for that district.
2 If the result in paragraph (2) is zero, or less than zero, then no
3 adjustment shall be computed for the district.

4 (h) ~~If the elementary school district ceases to participate in the~~
5 ~~consortium, the adjustment computed in this section shall no longer~~
6 ~~be provided to that district.~~

7 (i) ~~This section shall remain in effect only until July 1, 2010,~~
8 ~~and, as of January 1, 2011, is repealed, unless a later enacted~~
9 ~~statute, that is enacted before January 1, 2011, deletes or extends~~
10 ~~that date.~~

11 *SEC. 3. Section 42238.21 of the Education Code is amended*
12 *to read:*

13 42238.21. (a) Notwithstanding any other provision of law, for
14 the purposes of this article, the revenue limit for the Newport-Mesa
15 Unified School District for the 1996–97 fiscal year, and future
16 fiscal years, shall not include any amounts that should have been
17 allocated to the Newport-Mesa Unified School District in the
18 1994–95 fiscal year but that were not received by the district until
19 the 1996–97 fiscal year, and future fiscal years, due to the
20 bankruptcy proceedings initiated on December 6, 1994, by the
21 County of Orange by its filing of a voluntary Chapter 9 petition
22 in United States Bankruptcy Court, Case No. SA 94-22273-JR.
23 These amounts shall not be included in the revenue limit
24 computations for the 1996–97 fiscal year, and future fiscal years,
25 but these amounts shall be treated as being received by the
26 Newport-Mesa Unified School District in the 1994–95 fiscal year,
27 the 1995–96 fiscal year, or both.

28 (b) *This section shall remain in effect only until July 1, 2010,*
29 *and, as of January 1, 2011 is repealed, unless a later enacted*
30 *statute that is enacted before January 1, 2011, deletes or extends*
31 *that date.*